

# **Report of the auditor-general to the Western Cape Provincial Parliament and the council on the George Municipality**

## **Report on the financial statements**

### **Introduction**

1. I have audited the financial statements of the George Municipality set out on pages 1 to 119, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budgeted amounts with actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the George Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matter**

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## **Material Impairment or losses**

8. As disclosed in note 32 to the financial statements, receivables have been significantly impaired to the amount of R88 million as a result of the impairment of irrecoverable trade receivables.

## **Additional matters**

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Unaudited supplementary information**

10. The supplementary information set out on pages 12 to 15 and 120 to 121 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

## **Unaudited disclosure notes**

11. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

## **Report on other legal and regulatory requirements**

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## **Predetermined objectives**

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2016:

- Affordable quality services, on pages 23 to 29

14. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned objective. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information.

15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify material findings on the usefulness and reliability of the reported performance information for the following objective:

- Affordable quality services.

## **Additional matters**

17. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objective, I draw attention to the following matters:

### **Achievement of planned targets**

18. Refer to the annual performance report on pages 23 for information on the achievement of the planned targets for the year.

### **Adjustment of material misstatements**

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of affordable quality services. As management subsequently corrected the misstatements, I did not identify material findings on the usefulness and reliability of the reported performance information.

### **Unaudited supplementary information**

20. The supplementary information set out on pages 23 and 29 does not form part of the objective: Affordable quality services. I have not audited these schedules and, accordingly, I do not express a conclusion thereon.

## **Compliance with legislation**

21. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with

specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

### **Internal control**

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

### **Other reports**

23. I draw attention to the following engagements that could potentially impact on the municipality's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

### **Investigations**

26. At the date of this report, the municipality was performing an investigation into two cases of alleged financial misconduct which was still in progress.

*Auditor-General*

Cape Town

30 November 2016



AUDITOR - GENERAL  
SOUTH AFRICA

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